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26 September 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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GENERAL

1. Sweden stops almost all exports to Poland: Sweden's exports to Poland, including iron ore, have virtually ceased as a result of the impasse reached in the negotiations where the Swedes have tried to secure a further reduction in the price of Polish coal. At the Poles' request the mixed Swedish-Polish trade commission is now meeting to consider continuing negotiations.

Since Swedish coal stocks are adequate, the American Embassy in Stockholm believes that an agreement is not likely to be reached unless the Swedish Government influences coal importers to agree to a price higher than the trade position warrants. (C Stockholm 368, 24 Sept 52)

Comment: Sweden was to export 1,000,000 tons of iron ore to Poland this year. Approximately 30 to 40 percent of Poland's iron ore imports from the West come from Sweden and Norway. A continued suspension of Swedish exports of iron ore to Poland could have far-reaching effects on that country's Six-Year Plan.

Although the USSR could step up its iron ore exports to Poland, this is unlikely and may account for the fact that Poland wants to reopen price negotiations.

SOVIET UNION

2. USSR to gain sterling exchange from Pakistani freight payments: According to the Pakistani-Soviet trade agreement signed on 16 September, the value of Soviet wheat shipments of 5,892,870 pounds sterling is to balance exactly the value of Pakistani shipments of cotton and jute. The price to Pakistan of this Soviet wheat is \$110 per ton.

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In addition, Pakistan is to open a credit in the USSR state bank of 553,000 pounds sterling (about \$1,500,000) to pay freight charges for the Soviet shipping used. The Embassy comments that the USSR will presumably be able to transfer this sterling balance to Pakistan. (S Karachi 468, 23 Sept 52)

Comment: Both the price set for Soviet wheat and the freight charges seem reasonable in terms of world market prices.

The USSR could use the sterling obtained from freight payments for current transactions with the sterling bloc or with the eighteen other countries which participate in the United Kingdom's transferable account system.

EASTERN EUROPE

3. Further electric power restrictions instituted in Sofia: The Bulgarian Home Service announced that the existing schedule for household consumption of electric power would be abolished and replaced by a new one on 25 September. (R FBIS Sofia, 24 Sept 52)

Comment: Due to seasonal fluctuations in loads carried by its power plants, the periodic institution of strict schedules for the conservation of electric power in Bulgaria is a normal occurrence. These most recent restrictions may in part be explained by the prolonged drought experienced by Bulgaria during the past summer. Household consumption in Sofia will be limited to 94 hours per week, 8 hours less than allowed under the previous schedule announced on 8 August.

Despite great publicity given to successes achieved in Bulgaria's electrification program during the past year, householders in Sofia are at present allowed to use considerably less electric power than was permitted under similar conservation schedules instituted during the fall of 1951.

4. Supplementary trade agreement signed between USSR and Finland: At an official ceremony in Helsinki marking the completion of reparations payments to the Soviet Union, Prime Minister Kekkonen commented that the problem of finding markets for the products of industries expanded to meet reparations payments had been solved by the signing of the five-year

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trade agreement with the USSR in 1950 and the supplementary agreement which was recently negotiated.

Soviet Minister of Foreign Trade Kумыkin stated that trade between the USSR and Finland could be further increased and the Soviet Union would supply Finland the raw materials necessary to fulfill Soviet orders. (R Helsinki 183, 24 Sept 52)

Comment: The supplementary trade agreement signed in Helsinki on 22 September provides for an additional exchange of goods totalling 610 million rubles (about \$152,500,000 at the official rate of exchange) between the two countries during the remainder of the period covered by the original five-year trade agreement.

5. Members of former Social Democratic trade union allegedly deported from Budapest: 25X1C
that a number of persons deported from Budapest on 17 September were members of a prewar Social Democratic printers trade union which had been attacked by the Communists as "aristocratic." Deportations from Miskolc on 3 July also allegedly involved several former Social Democrats.

The US Legation in Budapest notes that the current replacement of all Hungarian Workers Party membership cards may be a cover for the weeding out of former Social Democrats. (C Budapest 283, 24 Sept 52)

Comment: Such deportations for trade union activity, if confirmed, would show that the Hungarian regime is prepared to take forceful measures to break union opposition to the newly imposed work norms and to uphold Rakosi's pronouncement of 14 August that the Five-Year Plan is "realistic."

The replacement of former Social Democrat Sandor Ronai as president of the Presidium on 14 August destroyed the pretense that the government was a coalition in which Social Democrats participated, while the mounting attack on Social Democratic influences in the unions points to the increasing dominance of Soviet concepts. The older Socialist ideals are now condemned as being concerned only with material interests and as apprehensive of the power of the worker's state and the USSR.

6. Ambassador's views on Polish hate-America campaign: In view of the intensity of the current hate-America campaign

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in Poland which has included the vilification of the United States, its president and its government by the Polish Prime Minister, the American Ambassador in Warsaw believes some positive reaction is necessary. He points out that US failure to take official note of these scurrilous attacks, when made by the leaders of the Polish Government, could be construed as a sign of weakness and not only encourage repetition but also perhaps invite undue aggressiveness by the Orbit. (S Warsaw 148, 23 Sept 52)

Comment: The hate-America campaign has recently attained new heights of intensity as have attacks against the Voice of America which are made now on a daily basis in all propaganda media.

No such official reaction to anti-American statements by Polish leaders has been previously attempted.

7. Measures apparently to be taken against VOA listening in Poland: The Polish campaign against the Voice of America, which has reached a high degree of intensity, is regarded by the American Embassy in Warsaw as evidence that the programs have a large audience. An article in the official organ of the Polish Communist Party mentioned that vacationers and young people listen to these broadcasts, and added that it was necessary to stop listening, "not only in recreation rooms but also in private apartments."

Embassy officials believe that local authorities undoubtedly will increase efforts to obstruct VOA listening, and may even prohibit listening to foreign broadcasts. (C Warsaw 151, 24 Sept 52)

Comment: While listening to foreign Polish-language broadcasts is not prohibited by law, it is not encouraged, and repeating the content of the broadcasts is forbidden. The Polish press has indicated that a main purpose of the Martyka trial which ended this week was to condemn the Voice of America in the eyes of the Polish people.

Indicative of the Polish Government's concern about the number of Poles who listen to these broadcasts is the fact that it has permitted the present publicity, which could only draw further attention to VOA broadcasts.

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FAR EAST

8. Japanese official anticipates further curtailment of Japanese Communist influence: Kinya Niizeki, Soviet Desk Officer of the Japanese Foreign Office, believes that the Japanese Government will severely curtail the Japanese Communist Party through such measures as suspending their newspapers and publications and closely controlling its agitation, according to a US Embassy report. He added that he did not believe the party would be completely outlawed in the near future.

Niizeki stated that the government hopes to deport at least 10,000, and possibly as many as 100,000, leftist Koreans. He also indicated that the Foreign Office was not inclined to take the initiative in restoring relations with the USSR and had agreed in principle that the Soviet Mission should be expelled. (S Tokyo Unnumbered Memo, 6 Aug 52)

Comment: The recently-enacted Anti-Subversives Activities Law will provide the legal basis for additional measures against the Communists, expected to take place shortly after the establishment of the new government.

9. Japan-Korea fishing dispute eased by UN Command: US Charge Lightner reports that the possibility of a dispute between Japan and Korea has been greatly reduced following CINCUNC's 23 September action establishing a restricted military zone off the Korean coast. Japanese fishing vessels will be barred from this zone, which does not, however, extend as far from shore as the "Rhee line." Lightner comments that President Rhee is probably unaware that the new zone actually follows the proposed Japanese patrol line except for one area near Cheju Island. (S Pusan 384, 25 Sept 52)

Comment: The Japanese Government has agreed to the new proposal, reserving its absolute right of free navigation on the high seas. It has requested, however, that the American navy protect Japanese vessels from unwarranted seizure.

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10. Pacific "peace" conference postponed to 10 October: A Chinese Communist broadcast to the Viet Minh on 25 September stated that the opening of the Asian and Pacific Regions Peace Conference has been postponed to 10 October owing to the inability of many delegates to arrive by the planned opening date, 26 September. (R FBIS Chinese Comm Transmitter, 25 Sept 52)

Comment: Many of the 300 to 500 delegates to the "peace" conference have been unable to obtain visas or have encountered other obstacles. Similar Communist-sponsored conferences have often been postponed as a result of organizational problems.

By postponement, the Communists will avoid a conflict with Peiping's third anniversary ceremonies on 1 October and will have time to adjust to any new line developing from the Soviet Communist Party's 19th Congress on 5 October.

11. New railroad spur reported near Kunming in Southwest China: An American who left Kunming in early 1952 reported that the Communists are building a railroad spur from Kunming to Kunyang at the south end of the lake on which Kunming is situated. He stated that rails are being shipped in by truck and that the purpose of the line is to connect Kunming with the Kunyang arsenal. (C Hong Kong Desp 8, 3 July 52)

Comment: This is the first report of Communist work on this spur line.

12. Communists reportedly plan roads and airfields in Tibet: Chinese officials arriving in India from Tibet reportedly stated that construction work on the road to Lhasa from the Indian border was progressing "very quickly," and the construction of a highway from China proper into Tibet was also planned. Airfields, they declared, were being constructed "in more than one place in Tibet." [redacted] 25X1A

25X1A [redacted] Comment: Evidence of construction in Tibet is available from several sources. The purchase of roadbuilding equipment in India for use in Tibet was reported early this year. Although there is no confirmation of the frequent reports of airfields in Tibet, it is likely that such construction has been undertaken.

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SOUTHEAST ASIA

13. Thailand decides against termination of rubber agreement:
The Thai Government has decided against terminating the US-Thailand rubber purchasing agreement. Premier Phibun has issued a public disavowal of any connection between the current slump in rubber prices and the agreement, and has stated that it afforded Thailand a secure market which was an important source of dollar exchange. (C Bangkok 531, 24 Sept 52)

Comment: The Thai decision was occasioned by an American offer to terminate the agreement in view of the embarrassment caused by Communist-exploited allegations that the United States had imposed low rubber prices on Thailand through "restrictive" provisions. Phibun's statement provides the first authoritative Thai refutation of these misrepresentations.

NEAR EAST - AFRICA

14. Residency General considers naming another Tunisian to French UN Delegation: The French Residency General in Tunis is considering the possibility of adding a second Tunisian to the French UN General Assembly delegation in order to counteract the charge that the present Tunisian member is a Francophile. An unnamed candidate is under consideration and is said by a Residency spokesman to be a strict Moslem with a strong nationalist background but anti-Neo-Destour. However, since this candidate also is antagonistic toward the Bey, the appointment might nullify the good propaganda effect of the appointment. (C Tunis 117, 23 Sept 52)

Comment: The present Tunisian member of the French delegation to the United Nations, as well as the Residency, is sensitive to his unpopularity with the nationalists. In a conversation with an American consular official on 25 August, he hotly denied any lack of patriotism. He is known to favor the idea of Franco-Tunisian association rather than rivalry, and is considered to be reasonable, to have grown considerably in stature in the past few years, and not to be a mere French stooge.

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15. French increase security measures in Casablanca area:
Under a pretext of controlling the increasing crime rate, French security forces were augmented in mid-September by four sections of motorized police. Security forces have arrested approximately 800 persons in widespread raids. (C Tangier Weeka 12, 19 Sept 52)

Comment: Nationalists in Tangier have confirmed the tightening of security measures in the French protectorate.

Since last December, the police have been trying to obliterate Communism in French Morocco. In spite of failure to indict four youths who were arrested while posting hand-bills on the walls, further arrests of Communists were foreseen six weeks ago.

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WESTERN EUROPE

16. Mittelland Canal traffic to Berlin may soon be resumed: West German officials have learned that repairs on the Rothensee shiplift in East Germany have been completed. If tests prove satisfactory, the shiplift may be opened the week end of 27-28 September. Federal Republic waterways authorities intend to alert barge operators on the Mittelland Canal for immediate resumption of service to Berlin. (C Bonn 1331, 24 Sept 52)

Comment: The shiplift was closed on 1 August for repairs which were expected to take two weeks. The Mittelland Canal is the normal route for important shipments of coal to Berlin.

17. Adenauer foresees opportunity to press France on EDC ratification: Chancellor Adenauer has confided to American officials in Bonn that Premier de Gasperi told him ratification of the EDC treaty would have "clear sailing" in the Italian Parliament, possibly in November, provided the new election law was passed without trouble. Such prompt Italian action, on top of American and British ratification of the contractual agreement and German acceptance of both treaties, would provide an opportunity for successful exertion of pressure on the French, the Chancellor emphasized.

In a conversation with American officials in Paris, West German "Defense Minister" Blank stated, however, that he was very pessimistic about French ratification. (S Bonn 1338 and S Paris 1860, 24 Sept 52)

Comment: Despite Foreign Minister Schuman's 24 September announcement that he would request the Assembly to act promptly on the EDC treaty when it reconvened on 7 October, there is still no evidence that the Pinay government as such is willing to give the treaty priority over domestic issues.

The American Embassy in Rome has reported that early Italian ratification of EDC would be difficult, especially in view of an expected Communist filibuster against the government's legislative program.

18. Secretariat of OEEC alarmed over French submission to annual review: Ambassador Draper reports that the Secretariat of the OEEC considers that the French submission to that

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organization's annual review of economic capabilities fails to provide for a solution for the French debt to EPU, a return to trade liberalization, or steps toward internal stability. Any solution to these problems would depend on American aid.

Unless the French submission is altered, the Secretariat may have to take a "strong critical line" which might be unacceptable to the French as well as "explosive" should there be leaks to the press. In view of France's key position, OEEC officials believe that the French attitude jeopardizes major American objectives in Western Europe. (S Paris REPTO 1002, 24 Sept 52)

Comment: American officials in Paris have reported that the French submission left "much to be desired" and only hinted at government policies for resolving its many economic problems. These officials believe that the French have made unrealistic estimates of 1953 trade with the EPU area, counting on extensive American aid to ease the balance of payments problem. On the basis of this paper, moreover, it is concluded that French public finances will exert inflationary pressure on the economy "for some time to come."

19. Christian Democrats refuse alliance with National Monarchist Party: Members of the Italian National Monarchist Party and Monarchist Front dissidents recently talked with Christian Democratic leaders about the possibility of joining the center electoral bloc, [redacted]. The Monarchists wanted an early decision so that they could start preparing for next spring's elections.

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According to the American Embassy in Rome, the Monarchists have been informed by the Christian Democrats that their support as individuals would be welcomed, but that any coalition with monarchist groups as such is impossible. [redacted]

25X1A [redacted] S Rome Joint Weeka 38, 19 Sept 52)

25X1A

Comment: Monarchist Front leaders have since announced the formation of the Italian Democratic Party, which they believe will have no difficulty in joining the center alignment.

20. Attack by Nenni on Italian Government's foreign policy considered likely: The Italian Foreign Ministry believes that while Pietro Nenni was in Moscow, he may have been urged by Stalin to attack the government's foreign policy in parliament.

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The Foreign Ministry states that Nenni could easily precipitate a general debate on foreign affairs if he so desired. (C Rome 1308, 24 Sept 52)

Comment: Parliamentary consideration of the annual budget of the Foreign Affairs Ministry has usually been the occasion for an attack on the government's foreign policy by the extreme left. Appropriations bills for the various ministries must be approved by the end of October.

In view of the Christian Democratic majority in the Chamber of Deputies, the Socialists and Communists could hardly muster sufficient support for a vote of no-confidence. However, Nenni will most likely use a debate to play up Stalin's recent offer of a nonaggression pact and trade benefits in return for Italy's withdrawal from NATO.

21. Ireland protests presence of French planes in Northern Ireland: The American Embassy in Dublin has been informed that the Irish Minister of External Affairs has asked the French Ambassador to call and discuss the reported participation of French planes in maneuvers in northern Ireland. (S Dublin 36, 24 Sept 52)

Comment: These French planes were probably engaged in the recent NATO Mainbrace maneuver. The Irish Government makes periodic protests about violations of "Irish territory" in order to draw attention to partition and forestall domestic criticism that Irish neutrality is being compromised.

22. Four-party coalition discussed in Sweden: Subsequent to the parliamentary election on 21 September when the incumbent Social Democratic-Agrarian government suffered unexpected losses, the Liberal and Conservative press in Sweden has been discussing the possibility of a coalition government of the four democratic parties. (R FBIS Stockholm, 24 Sept 52)

Comment: The loss by the Social Democrats and the Agrarians of three seats each has stimulated the discussion of a withdrawal by the Agrarians from the government. There is no official indication as yet that this or a four-power coalition is being considered.

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LATIN AMERICA

23. International labor meeting may be held in Argentina: The Argentine General Confederation of Labor has reportedly called an international labor meeting, which ten or more countries are expected to attend. The delegates are scheduled to gather in Salto, Uruguay, and then on 17 October to cross the river into Concordia, Argentina, to begin a publicity march to Buenos Aires. (R Montevideo 84, 24 Sept 52)

Comment: It was previously reported to the Nicaraguan Embassy in Buenos Aires that an Argentine-sponsored meeting of the Latin American Committee for Syndical Unity would be held at an unspecified date in Mexico City.

A Latin American labor conference beginning on 17 October, the most important Peronista holiday, would be of tremendous domestic political value to Peron, since he could make it appear to be international endorsement of Peronista labor doctrine.

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NEAR EAST - AFRICA

1. Greek-Yugoslav military talks considered satisfactory:
The Greek Minister of Defense has told Ambassador Peurifoy that the recent military conversations between Greece and Yugoslavia were quite satisfactory.

Yugoslavia has assured Greece that at least one third of the Yugoslav forces will be available to protect an area of common interest in northern Greece and southern Yugoslavia. Although no detailed defense planning has begun, a Greek delegation which will visit Belgrade shortly may consider more definite plans. (TS S/S Athens 1026, 23 Sept 52)

Comment: Nearly one third of Yugoslavia's forces are already garrisoned in this area. Progress has been made in the Greek-Yugoslav planning, but Greek reports on this subject have been over-optimistic in the past.

WESTERN EUROPE

2. London Embassy sees final British acceptance of European integration: The American Embassy in London believes that Anthony Eden's speech before the Council of Europe last week indicates final British acceptance of close integration of the six Schuman Plan countries. The Embassy feels that Britain will now concentrate more on positive accomplishments in the Atlantic Community, and recommends a conference with Britain for pushing the development of a larger grouping of the Atlantic nations. (C S/S London 1709, 24 Sept 52)

Comment: French Foreign Minister Schuman has stated that Eden's speech constitutes real British support for the coal-steel community.

Britain has long insisted on its own primary interest in the Atlantic Community and in its possible development along the lines of the British Commonwealth.

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